

## **RESEARCH & DEVELOPMENT TAX CREDIT PROGRAM**

### **GUIDELINES**

#### **INTRODUCTION**

The Arkansas Science & Technology Authority is empowered by Sections 15-3-101 through 15-3-123 of the Arkansas Code of 1987 Annotated to encourage, establish, and support both basic and applied research in science, engineering, and technology within the State's colleges and universities.

Sections 26-51-1101 through 26-51-1105 of the Arkansas Code of 1987 Annotated provide a tax credit incentive to Arkansas taxpayers for qualified research expenditures and donations and sales below cost of new machinery or equipment for qualified research programs at qualified educational institutions.

Rules jointly adopted by the Arkansas Science & Technology Authority and the Arkansas Department of Higher Education define "qualified educational institutions" as (1) any public university, college, junior college, or vocational technical training school supported by the State of Arkansas, or (2) any private university, college, junior college, or vocational technical training school located in the State of Arkansas and qualified for tax-exempt status under Arkansas Income Tax Law, or (3) any public elementary or secondary school located in the State of Arkansas.

The rules jointly adopted by the Arkansas Science & Technology Authority and the Arkansas Department of Higher Education also define "qualified research program" as a research program, undertaken by a qualified educational institution, that meets the eligibility criteria of the Arkansas Science & Technology Authority's Applied Research Grant Program or Basic Research Grant Program.

The rules jointly adopted by the Arkansas Science & Technology Authority and the Arkansas Department of Higher Education additionally define "qualified research expenditure" as the sum of any amounts which are paid by a taxpayer during the taxable year in funding a qualified research program, and which have been approved for tax credit treatment under rules and regulations promulgated by the Arkansas Department of Finance and Administration. The rules of the Department of Finance and Administration specify that, "In the case of a claim for qualified research expenditures, the taxpayer must provide a statement from the Arkansas Science & Technology Authority that the Department of Higher Education and the Arkansas Science & Technology Authority have approved the expenditure as part of a qualified research program."

## R&D Tax Credit Program Guidelines

These guidelines address the Authority's issuance of the statement required to claim a tax credit.

### RESEARCH & DEVELOPMENT TAX CREDITS

The Research & Development Tax Credit Program allows credits against a taxpayer's Arkansas State Income Tax for making qualified research expenditures and donations and sales below cost of new machinery and equipment to a qualified research program.

It is the policy of the Authority's Board of Directors to issue statements for expenditures and donations and sales below cost that are approved as part of project proposals submitted under the Authority's Applied Research Grant Program. At its March 4, 1988 meeting, the Board authorized the president of the Authority to process tax credit applications and issue statements on behalf of the Board for budgeted matching funds and for donations and sales below cost of machinery and equipment as part of proposals approved by the Board under rules for the Applied Research Grant Program.

The Authority's Board of Directors will consider issuing statements for other tax credit applicants, provided that the expenditures and donations and sales below cost are included in budgets as part of proposals submitted and approved under the Authority's Applied Research Grant Program and Basic Research Grant Program.

### APPLICANT ELIGIBILITY

Industrial and individual taxpayers in Arkansas, who make expenditures or donations and sales below cost of machinery and equipment to a qualified educational institution for a qualified research program as defined by the Research & Development Tax Credit Program Rules, are eligible to apply.

### SUBMISSION OF R&D TAX CREDIT APPLICATIONS

All applicants must complete an application form provided by the Authority and must submit, along with the application form, the following documents:

1. A copy of a statement from the receiving educational institution verifying that they have received the donation from the applicant. A copy of the check or receipt for the donation must be included with this statement; and
2. A copy of the proposal for the research project receiving the donation.

## R&D Tax Credit Program

### EVALUATION CRITERIA

Applications for tax credit treatment for expenditures and donations and sales below cost to qualified research programs will be evaluated on the basis of the following criteria:

1. All applications will be reviewed by Authority staff for completeness; and
2. Complete proposals will be thoroughly investigated by Authority staff to assure that all eligibility criteria are met and that applicable program rules have been followed.

### AWARDS

The final decision to approve tax credit treatment for an application will be made by the Board of Directors of the Authority. The decision for approval will be based on information derived from the evaluation process and its accompanying criteria and the Board's own interpretation of the information. The decision of the Board is final. The Board shall notify all taxpayers applying for tax credit treatment under this program of its final decision by letter.

### CHECKLIST FOR APPLICATION SUBMISSION

To assure that R&D Tax Credit applications submitted to the Authority are complete, an administrative check of the following items should be made before mailing.

\_\_\_\_\_ Completed ASTA R&D Tax Credit Program Application Form with the following information included:

1. Name and address of the applicant;
2. Tax identification number of the applicant;
3. Name and address of the qualified educational institution conducting the qualified research program;
4. Title of the qualified research program;
5. Name and phone number of the contact person for the qualified research program;
6. Amount or value of the donation;
7. Date of the donation; and

## R&D Tax Credit Program

8. Any other information that may be required by the Authority.

\_\_\_\_\_ A copy of the statement from the receiving educational institution. A copy of the check or receipt for the donation must be included with this statement.

\_\_\_\_\_ A copy of the proposal for the research project receiving the donation.

Applications should be sent to:

Vice President Research  
Arkansas Science & Technology Authority  
100 Main Street, Suite 450  
Little Rock, AR 72201

Receipt of applications will be acknowledged promptly, and each taxpayer will be advised of any action taken by the Authority.